

Senate Budget & Fiscal Review

Senator Wesley Chesbro, Chair



Subcommittee No. 3 on Health, Human Services, Labor, & Veterans Affairs

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Senator Gilbert Cedillo
Senator Tom McClintock
Senator Bruce McPherson
Senator Deborah Ortiz

Agenda 2

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Room 112 - 1:30 p.m.

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<u>Item</u>	<u>Description</u>	<u>Page</u>
	Vote Only Items	
5180	Department of Social Services	2
7350	Department of Industrial Relations	4
	Discussion Items	
4140	Office of Statewide Health Planning and Development	5
5180	Department of Social Services - Community Care Licensing	6
7100	Employment Development Department	7

VOTE ONLY ITEMS

5180 Department of Social Services

1. Proposed Legislation to Repeal Various Items in State Statute

Through proposed trailer bill legislation, the budget proposes to repeal the following enacted legislation:

- **AB 408 (Chapter 813, Statutes of 2003) - Foster Children Relationships**
AB 408 modified dependency laws in an effort to increase the chances that older foster children will be permanently placed with adoptive families, and to help older foster children maintain relationships with individuals who are important to them.
- **AB 529 (Chapter 744, Statutes of 2003) - Children in Family Day Care Homes**
AB 529 allows one child enrolled in kindergarten to be treated the same as a child aged six or older for purposes of adding to the limit on the number of children who can be cared for by family day care homes.
- **SB 577 (Chapter 878, Statutes of 2003) - Protection and Advocacy agencies**
SB 577 clarified and consolidated state laws related to California's protection and advocacy agency, Protection and Advocacy, Inc. (PAI), to conform to federal law.
- **AB 1151 (Chapter 847, Statutes of 2003) - Duty to Foster Children**
AB 1151 established legislative intent that the "state has a duty to care for and protect the children that the state places into foster care" and extended the statute of limitations for a claim of injury or death of a minor in foster care.

Staff Comment and Recommendation: The purpose of trailer bill legislation is to enact provisions of state statute that are necessary to implement the Budget Act. The Administration proposes trailer bill legislation that is not necessary to implement the Governor's Budget. The proposed language would repeal recently enacted legislation considered by the Legislature through the policy process. Therefore, it is recommended that the Subcommittee reject the proposed trailer bill language, which is not necessary to implement the Governor's Budget.

Budget Issue: Does the Subcommittee wish to adopt the staff recommendation to reject the proposed repeal of the aforementioned legislation?

2. Suspension of State Mandate

Background: California law requires that child abuse defendants successfully complete no less than one year of treatment and counseling as approved by the county probation department. The Commission on State Mandates ruled that the recent law, which requires county probation departments to approve treatment and perform activities associated with the defendant's progress reports, constitutes a state mandate. The Legislature suspended this mandate in the current year.

Governor's Budget: The budget proposes to suspend this mandate for the budget year.

Budget issue: Does the Subcommittee wish to adopt the proposed mandate suspension?

3. Immigrant Programs

Background: California funds and operates various human services programs that provide safety net services to legal immigrants who are aged, blind or disabled and to legal immigrant families. Program services include food assistance, cash assistance, and welfare-to-work services for eligible individuals and families. The programs include:

- Cash Assistance Program for Immigrants (CAPI), which provides cash benefits to aged, blind and disabled legal immigrants who became ineligible for SSI as a result of welfare reform.
- California Work Opportunity and Responsibility for Kids (CalWORKs) for legal immigrants program which provides cash assistance and welfare-to-work services to otherwise CalWORKs eligible parents or caretaker relatives who are legal immigrants that have been in the United States for five years or less.
- California Food Assistance Program (CFAP), a state-only food stamp program for legal non-citizens.

Governor's Budget: The Governor proposed legislation to cap enrollment for various human services programs, effective April 1, 2004, as part of his proposed Mid-Year reductions. The Governor's Budget assumes implementation of the proposed enrollment caps for total current year and budget year General Fund savings of \$4.5 million.

The Governor's Budget also proposes to eliminate CAPI, CFAP and CalWORKs for legal immigrants and instead provide block grant funding to counties to support safety net programs for immigrants effective October 2004 for General Fund savings of \$5.9 million.

Staff comment and Chair's recommendation: At its April 15 hearing, the Subcommittee considered the Governor's proposed cap to enrollment and block grant for various human services programs. The Chair's recommendation at the April 15 hearing was to reject the Governor's proposals and to direct Subcommittee staff to develop alternative proposals to achieve savings including implementation of SSI advocacy efforts across the state to reduce the CAPI caseload.

Budget issue: Does the Subcommittee wish to reject the Governor's proposals, restore program funding, and direct Subcommittee staff to develop trailer bill legislation to implement SSI advocacy efforts statewide to reduce the CAPI caseload and realize General Fund savings?

7350 Department of Industrial Relations (DIR)

1. Reappropriation for the Case Management System IT Project (Finance Letter #1)

Background: The Budget Act of 2003 appropriated \$960,000 for the Division of Labor Standards Enforcement's centralized Case Management System (CMS) information technology project. The DIR indicates the CMS will improve data analysis and enforcement, and provide easy access to statewide information for staff and members of the public. The total cost for the CMS is estimated at \$3.7 million through 2007-08 (excluding the cost of redirecting existing staff). Contract award for the project has been delayed due to procurement changes and DIR now anticipates the contract will be awarded in October 2004.

Finance Letter: The Administration proposes to reappropriate up to \$960,000 to reflect the revised timetable for the CMS project.

Budget issue: Does the Subcommittee wish to approve the proposed reappropriation?

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

1. Family Physician Training Program

Background: The Song-Brown Family Physician Training Program seeks to increase the number of general practice health care providers by providing clinical training opportunities to physician residents, physician assistants, and family nurse practitioners. Song-Brown funds 40 institutions that provide clinical training to approximately 403 family practice providers each year.

In 2001-02, Song-Brown providers served approximately 350,000 patients from underserved areas of the state. These providers are a valuable source of health care services in rural California and low-income communities across the state. Song-Brown providers deliver primary care services in the majority of California's teaching hospitals, community health centers, and county facilities. They are 4.5 times more likely than the average physician to practice in underserved areas of the state and generally choose to work in the community where they are trained.

Governor's Budget: The proposed budget provides \$4.5 million (\$4.1 million General Fund) to support the Song-Brown program, including \$235,000 for state operations costs.

Staff comment: The Song-Brown Family Physician Training Program has traditionally been funded by the General Fund. Similar workforce development and training programs operated by the Office of Statewide Health Planning and Development (OSHPD) are funded with fee revenue, including surcharges imposed on specific health care provider licenses.

At the request of Subcommittee staff, the Legislative Analyst's Office examined alternative funding sources for the Song-Brown Program. The LAO concluded that the state could utilize the California Health Data and Planning Fund in lieu of the General Fund for the state operations portion of the program.

The California Health Data and Planning Fund (CHDP) is comprised of revenues generated by fees assessed on licensed health facilities. The revenues are to be used for health planning, data consolidation, and other health-related programs that are required to be administered by OSHPD. Currently, CHDP supports OSHPD's data collection activities. The Governor's Budget proposes to shift administrative costs for the State Loan Repayment Program and the Health Manpower Pilot Projects Program from the General Fund to CHDP. Sufficient resources remain in CHDP to cover the state administrative portion of the Song-Brown program.

Subcommittee request and questions: The Subcommittee has requested that the Legislative Analyst's Office discuss the feasibility of funding the Song-Brown program with CHDP funds instead of the General Fund.

Budget issue: Does the Subcommittee wish to utilize CHDP funds to support the Song-Brown program and realize General Fund savings?

5180 DEPARTMENT OF SOCIAL SERVICES

1. Increase in Background Check Workload

Background: The Department of Social Services Community Care Licensing Division (CCLD) establishes standards for, and oversees eighteen types of community facilities that provide care and supervision to Californians. The facilities include adoption agencies, foster care homes and agencies, childcare homes and centers, and residential care facilities for disabled and elderly adults. CCLD is responsible for the enforcement of state requirements that persons licensed to operate these facilities, provide care to facility clients, or reside at the facility location, receive a comprehensive criminal background check.

CCLD requires that individuals receive a fingerprint-based check of their criminal history from both the Department of Justice and the Federal Bureau of Investigation. Persons associated with children's facilities are also subject to a check with the Child Abuse Central Index. If criminal history information indicates a conviction, CCLD evaluates the individual's history, the type of conviction received, the frequency and recentness of the convictions, and efforts made towards rehabilitation, to determine if the individual can be involved in a licensed facility. If an arrest is identified, CCLD will independently investigate the circumstances of the arrest, and determine if the allegations can be substantiated according to licensing standards ("preponderance of evidence" instead of "beyond a reasonable doubt"), to determine if the individual should be allowed to have contact with clients in a facility. If an individual is determined to be unsuitable, CCLD will deny an associated license application, revoke or suspend an existing license, or exclude the person.

Since 2002, CCLD has experienced a significant increase in the number of subsequent arrests and subsequent convictions information that it receives. Historically, CCLD received 580 rap sheets from DOJ each week, or an estimated 33,000 per year. CCLD now receives 1,559 rap sheets per week, or an estimated 81,000 per year. The number of rap sheets received by CCLD and the resulting workload continues to rise.

Governor's Budget: The budget provides a \$4.6 million augmentation (\$2.6 million General Fund) and establishes 58.2 new positions due to the increase in the number of rap sheets received by CCLD and the resulting increase in background check workload. The budget reflects an increase in the number of positions authorized by the Department of Finance in November 2003 to process the increased background check workload.

Staff comment: Several departments across the Health and Human Services Agency are responsible for the licensing, including conducting background checks, of different categories of providers. The departments operate according to different statutory requirements, evidentiary standards, and licensing criteria. The state's decentralized licensing system may lead to unnecessary duplication and inconsistency across programs. California may benefit from examining its licensing system and developing reforms that reduce duplication and increase standardization in licensing functions, including conducting criminal background checks.

Budget issue: Does the Subcommittee wish to approve the proposed positions to process the increased background check workload and to take any action to streamline licensing functions?

7100 Employment Development Department

Purpose: The Employment Development Department (EDD) is the primary catalyst for building and sustaining a high quality workforce. The EDD serves the people of California by matching job seekers and employers. The EDD pays benefits to eligible workers who become unemployed or disabled, collects payroll taxes, and assists disadvantaged and welfare-to-work job seekers by providing employment and training programs. In addition, EDD collects and provides economic, occupational, and socio-demographic labor market information concerning California's workforce.

Budget: The Governor proposes \$12.62 billion (\$18.8 million General Fund), a decrease of \$836.7 million (6.2 percent) from the current-year budget.

DISCUSSION ITEMS:

1. Delete the Manufacturing Technology Program Provisional Language (Finance Letter #1).

Background: The Governor's Budget includes \$2.1 million in Employment Training Fund resources for an interagency agreement between the Employment Training Panel and the Business, Transportation, and Housing Agency for the purpose of funding the Manufacturing Technology Program (MTP). The MTP provides small and medium-sized manufacturers with access to a wide range of inexpensive business assistance including technical consultative services, workforce training, and professional development. The Employment Training Panel has separately approved training funds for the MTP's two regional offices.

Finance Letter: The Administration proposes to eliminate the provisional budget bill language that specifies \$2.126 million of the \$18.353 million Employment Training Fund appropriation shall be made available for the interagency agreement with the Business, Transportation and Housing Agency for the MTP. The total appropriation would not be reduced from \$18.353 million. While deletion of the provisional language would not prohibit the interagency agreement, the Employment Training Panel indicates that training grants are a higher-priority than the MTP, and the MTP would not be funded in 2004-05. The Administration also indicates that Employment Training Panel funding for the MTP, whether for consulting or training, should be within ETP's purview and not a Budget Act provision.

Subcommittee request: The Subcommittee has requested that the Administration briefly explain why the MTP is a lower funding priority than training grants.

Budget Issue: Does the Subcommittee wish to adopt the Administration's request?

2. Workers' Compensation Savings and Employment Training Panel Augmentation of up to \$40 Million (April 1 Finance Letter)

Background: The Employment Training Panel (ETP) is a statewide economic development program that supports the California economy by providing worker training. The program seeks to assist employers, primarily small businesses, compete in the global economy while providing

workers higher wages and secure employment. The ETP is funded by the Employment Training Tax deposited into the Employment Training Fund. California employers participating in the Unemployment Insurance System pay this tax. ETP expenditures from the Employment Training Fund exceeded \$100 million in both 2001-02 and 2002-03; however, expenditures are estimated at \$18 million in 2003-04 and \$14 million in 2004-05. The appropriations and expenditures have declined due to falling Employment Training Tax revenue, and increased expenditures out of the fund by the Department of Social Services.

The Employment Training Fund also supports local assistance expenditures for the CalWORKs program administered by the Department of Social Services. The Employment Training Fund appropriation for CalWORKs was \$30 million in 2002-03, but was increased to \$56 million in 2003-04, and is proposed to be \$56 million in 2004-05.

The Governor's Budget proposed a new General Fund transfer of up to \$40 million to support the Employment Training Panel to be funded by workers' compensation savings. The transfer would be contingent on workers' compensation savings, but also permissive for the Director of Finance should those savings be realized. If the workers' compensation savings did not materialize or if the Finance Director did not choose to make the transfer, the ETP would be funded solely by the Employment Training Fund – with an appropriation of \$18.353 million (the 2003-04 appropriation was \$40.313 million, but expenditures were reduced to \$22.915 million after anticipated revenues did not materialize – approximately \$4.7 million of each year's appropriation supports operations of the tax collection branch).

Finance Letter: The Administration now proposes a different mechanism that would achieve a similar result to what was proposed in the Governor's Budget. A new Control Section 6.60 is proposed to allow the Director of Finance to survey departments for workers' compensation savings and transfer these savings to the General Fund. Instead of using the workers' compensations savings for a transfer to the Employment Training Fund, the Administration now proposes to augment (by up to \$40 million) the General Fund CalWORKs appropriation, reduce the CalWORKs Employment Training Fund appropriation by the same amount, and increase (by up to \$40 million) the Employment Training Panel Employment Training Fund appropriation. This would result in no net change to CalWORKs funding.

Subcommittee request: The Subcommittee has requested that the Administration briefly describe their current expectation for the level of General Fund workers' compensation savings and explain why the Administration is proposing permissive language.

Budget Issue: Does the Subcommittee wish to adopt the Administration's request?